

# The Gazette of India

EXTRAORDINARY

PART I—Section 1

PUBLISHED BY AUTHORITY

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N 405B] NEW DELHI, MONDAY, DECEMBER 23, 1952

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MINISTRY OF FINANCE

Department of Economic Affairs

NOTIFICATION

*New Delhi, the 27th December 1952*

**No. F.7(101)-F.1/52.**—The Government of India have examined the situation arising out of the inability of several tea gardens in India to make credit arrangements for financing the growth and production of tea by them during the 1953-54 tea season, and have decided that, as an inducement to the scheduled banks and to apex co-operative banks to make funds available during the 1953-54 tea season to such tea gardens as were directly financed by them during the 1952-53 tea season, the Government should offer to guarantee repayment to scheduled banks and apex co-operative banks of a certain portion of the advances made to such tea gardens in respect of the 1953-54 tea season. In pursuance of the said decision, it is hereby notified that the Government of India will be prepared to enter into an agreement of guarantee with scheduled banks and apex co-operative banks on the following terms:

1. The Government guarantee shall be to make reimbursement to the scheduled bank or apex co-operative bank, subject to the limits and conditions indicated below, of a portion of the deficit in the hypothecation accounts of tea gardens for the 1953-54 tea season as a result of the failure to recover by the scheduled bank or by the apex co-operative bank in full any loan or advance made for the said season.

2. This guarantee shall cover only advances to borrowing gardens which have obtained finance directly from the scheduled bank or the apex co-operative bank for the 1952-53 tea season.

3. The guarantee shall be limited in amount to 20 per cent. of the total amounts that may have been repaid by the borrowing garden to the scheduled bank or the apex co-operative bank in discharge of the loans or advances availed of by it for financing the 1952-53 tea season, if the borrowing tea garden is situate in Cachar, Tripura, Dooars and Terai areas; and to 15 per cent. of such amounts repayments if the borrowing garden is situate in other areas.

4. Amount repaid shall be taken as the difference between the maximum debit balance during the 1952-53 tea season and the amount outstanding as at the end of the said season.

5. The scheduled bank or apex co-operative bank should have taken, or take, from the borrowing garden, in addition to promissory notes and hypothecation of crops, a mortgage over the immovable tea estates of the borrowing gardens, a hypothecation of the movable property of the borrowing gardens and a letter signifying the borrowing garden's consent to the transfer, when necessary, of the promissory notes and securities in favour of the Central Government.

5. The scheduled bank or apex co-operative bank shall continue to hold all the promissory notes and the unrealised securities even after reimbursement to it by the Government of any loss in the manner stated above and such holding by it shall, from the time of reimbursement by the Government, be on behalf of the Government.

6. Notwithstanding any contract to the contrary with the borrowing garden or any other party, or the bankers' lien, the scheduled bank or apex co-operative bank shall not be entitled to have recourse to the securities except for recovering the outstandings of the borrowing garden in respect of loans and advances made for financing the 1951-52, 1952-53 and 1953-54 tea seasons and the Government shall, in all other respects, have a priority over the scheduled bank or apex co-operative bank in respect of these securities irrespective of any prior mortgage or other liability that may be outstanding by the borrowing garden to the scheduled bank or to the apex co-operative bank.

7. The scheduled bank or the apex co-operative bank shall maintain a separate account for the loans and advances made to the borrowing tea garden for the 1953-54 tea season and any payment that may be made by the Government under the guarantee shall be credited in a different account: and interest shall be credited to the Government on the latter account at the same rate as that chargeable on the former account.

8. The scheduled bank or the apex co-operative bank shall undertake not to make any long term loan to any borrowing garden until the entire amount that may become due to the Government under this guarantee from the borrowing garden has been repaid. The scheduled bank or the apex co-operative bank shall not, without the approval of the Government, make available to the borrowing garden finance for any season succeeding the 1953-54 tea season so long as any amount is outstanding to the Government by the borrowing garden under the guarantee.

9. The scheduled bank or the apex co-operative bank shall make it a condition of its finance to the borrowing garden that the garden shall not appropriate, or declare dividends out of, any profits until the entire amount outstanding to the Government by the borrowing garden under the guarantee is fully reimbursed.

The Chairman, Central Tea Board, shall be the authority who will enter into the prescribed Agreement of Guarantee on behalf of the Government of India. He will make available to scheduled banks and apex co-operative banks details of the procedure that they will have to follow for participating in the scheme. Banks should refer to the Chairman, Central Tea Board, for clarification of any points connected with the scheme, where required. His decision on all points of interpretation connected with the guarantee shall be final.

K. G. AMBEGAOKAR, Secy.